

MASSACHUSETTS
Public Employee Retirement Administration Commission
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M E M O R A N D U M

TO: All Retirement Boards

FROM: Robert F. Stalnaker, Executive Director

RE: Contract Audits

DATE: December 8, 1998

As part of our goal to perform targeted audits, PERAC will be performing Contract Audits of all retirement systems beginning in December, as well as following up on any audit findings presented in the previous audit of your retirement system. The audit staff will be reviewing all contracts that your system currently has in force. The contracts will include money managers, consultants, custodians, actuaries, accountants, attorneys, as well as any other vendors that you have or should have a contract to perform services for the retirement system. Contract for hardware and software vendors will be reviewed as part of the information technology audit. The auditors will be looking at not only the executed contract, but also the entire selection process. You should review your files to insure that these records are available for review. It is our hope that PERAC's visit will provide you and your staff with the guidance necessary to bring your system, if it is not already, into compliance with contracting procedures.

This audit process should take approximately one half day to complete. Frank Zecha and Harry Chadwick of our audit staff will be performing these audits and they will be contacting each board in the near future to determine a mutually convenient time to perform the audit.

If you have any questions, please contact Jim Waldman at (617) 666-4446 ext. 924.

CONTRACT PROFILE

Name of Vendor _____

Type of Services Provided _____

Dates of Service_____

Annual Fees_____

Is there a copy of executed contract? YES_____ NO_____

How were potential vendors notified? _____

Brief Description of Competitive Process_____

Is there a copy of other bids submitted? YES_____ NO_____

Was a scoring sheet or other type of selection process used? YES_____ NO_____

Please describe_____

Do the board minutes reflect a discussion of the selection of the contractor?
YES_____ NO_____

THE FOLLOWING INFORMATION IS REQUIRED FOR INVESTMENT MANAGERS:

Was the contract executed prior to the delegation of the investment authority?_____

Do the terms and conditions state the following:

Investment Objectives YES_____ NO_____

Brokerage Practices YES_____ NO_____

Proxy Voting and Tender Offer Exercise Procedures YES_____ NO_____

Terms of Employment YES_____ NO_____

Fees YES_____ NO_____

Termination Provisions YES_____ NO_____

Does the contract provide that the qualified investment manager is a fiduciary with respect to the funds the board invests pursuant to the qualified investment manager's advice regarding the purchase and sale of investments or the funds which the qualified investment manages, as the case may be? YES_____ NO_____

Does the contract require indemnification of the manager by the retirement board (the answer should be no)? YES_____ NO_____

Is there a copy of a current ADV part II on file? YES_____ NO_____